

DG 01-194

NEW HAMPSHIRE GAS CORPORATION

2001/2002 Winter Cost of Gas

Order Approving the Cost of Gas

O R D E R N O. 23,826

October 31, 2001

APPEARANCES: Ransmeier & Spellman by Lisa M. Barton, Esq. on behalf of New Hampshire Gas Corporation; and Marcia Thunberg, Esq., for the Staff of the New Hampshire Public Utilities Commission.

I. PROCEDURAL HISTORY

On September 27, 2001, New Hampshire Gas Corporation (NHGC), a public utility engaged in the business of distributing propane-air in Keene, New Hampshire, filed with the New Hampshire Public Utilities Commission (Commission) its Cost of Gas (COG) rate and Fixed Price Option (FPO) rate for the period November 1, 2001 through April 30, 2002. NHGC's filing was accompanied by the pre-filed testimony and supporting attachments of Mark A. Cole, General Manager for NHGC.

An Order of Notice was issued on October 2, 2001 setting a hearing for October 16, 2001. NHGC informed customers of the impending change by publishing a copy of the Order of Notice in the Keene Sentinel on October 5, 2001.

There were no intervenors in this docket. A duly

noticed hearing on the merits was held at the Commission on October 16, 2001.

II. POSITIONS OF THE PARTIES AND STAFF

A. New Hampshire Gas Corporation

NHGC witness Mark A. Cole, General Manager, addressed the following issues: 1) calculation of the COG rate and the impact on customer bills; 2) Fixed Price Option program; 3) reasons contributing to the decreased rate; 4) gas supply purchasing policies; and 5) notification of rate changes to customers.

1. Calculation of the COG Rate and Customer Impact

The proposed 2001/2002 Winter COG rate of \$0.6632 per therm was calculated by increasing the anticipated cost of gas of \$243,417 by a prior period under-collection and related interest of \$4,784 and dividing the resulting anticipated costs of \$248,201 by projected therms sales of 374,270.

NHGC's proposed 2001/2002 Winter COG rate is \$0.6632 per therm, representing a decrease of \$0.2804 per therm from the 2000/2001 average Winter COG rate of \$0.9967 per therm.

The decrease in the Winter COG rate would cause a decrease of \$40.81 (24%) in the average monthly bill of a typical residential customer.

Mr. Cole requested the Commission approve the new

rate on a bills-rendered basis and entered into evidence NHGC's comments dated May 30, 2001 regarding proposed rule Puc 1203.05 wherein NHGC cites the increased cost to change to a service-rendered basis and the lack of any customer complaints regarding the bills-rendered basis.

2. Fixed Price Program

Order No. 23,764 (August 24, 2001) approved the FPO program to be implemented for the 2001/2002 Winter COG period, setting the volumes to be offered under the program at fifty percent (50%) of weather normalized sales.

The proposed 2001/2002 Winter FPO rate of \$0.7163 per therm was calculated by increasing the cost of gas of \$263,296 by the prior period under-collection and related interest, which totaled \$4,784, and dividing the resulting costs of \$268,080 by projected therm sales of 374,270.

The decrease in the FPO rate would cause a decrease of \$29.16 (18%) in the average monthly bill of a typical residential customer.

3. Factors Contributing to the Decreased Rates

Mr. Cole explained that a reduction in the prior period under-collection included in the COG and FPO rate calculations of approximately \$60,000 helped to reduce this winter's rates, but that the primary reason for the reduction

was that the actual and projected propane costs for this winter are substantially less than experienced last winter.

4. Gas Supply Purchasing Policies

Pursuant to the Operating and Propane-air Sales Supply Agreement entered into between NHGC and Keene Gas Corporation (KGC) at the time NHGC acquired the utility franchise and distribution properties, KGC continues to manufacture the propane-air product which NHGC purchases for distribution and resale to its utility customers. The arrangement will remain in effect for the foreseeable future. Mr. Cole testified that the construction of the new supply plant has been put on indefinite hold while NHGC reassesses its continued operation. As in the past, Mr. Cole consults with the KGC purchasing agent regarding propane purchasing strategies.

5. Notification of Rate Changes to Customers

Mr. Cole testified NH Gas proposes notifying customers of the monthly cost of gas rate changes by printing a message on the bill indicating the company would know the new rates by the 25th of the month and that interested customers could phone the company for the new rate.

B. Staff

Staff stated that it had reviewed the filing and

recommended approval of the proposed rates, noting that fuel purchasing for the period is consistent with prior periods and that the 2001/2002 Winter gas costs would be reconciled and reviewed during NHGC's 2002/2003 Winter period COG proceeding.

Staff further requested the Commission approve the rate on a bills-rendered basis, notwithstanding the Commission's previous Order No. 23,685 wherein it requested NHGC to investigate billing on a service-rendered basis. Staff cited the lack of customer complaints as well as the increased cost to NHGC to switch to a service-rendered billing basis. Staff also indicated its support for NHGC's method of notifying customers of rate changes.

III. COMMISSION ANALYSIS

After careful review of the record in this docket, we find that NHGC's proposed COG rate and FPO rate will result in just and reasonable rates. Accordingly, we accept and approve NHGC's winter filing.

While NHGC's purchasing policies are consistent with past practices and NHGC foresees propane prices remaining fairly stable throughout the winter period, we expect NHGC to continue monitoring the propane markets and propose changes in purchasing strategies and/or pricing services if market conditions so merit.

Based upon the foregoing, it is hereby

ORDERED, that NHGC's proposed Winter COG rate of \$0.6632 per therm for the period November 1, 2001 through April 30, 2002 is APPROVED effective for bills-rendered on or after November 1, 2001; and it is

FURTHER ORDERED, that NHGC may, without further Commission action, adjust the approved Winter COG rate of \$0.6632 per therm upward or downward monthly based on NHGC's calculation of the projected over or under-collection for the period, but that the cumulative adjustments shall not vary more than twenty percent (20%) from the approved unit cost of gas (or \$0.1324 per therm); and it is

FURTHER ORDERED, that NHGC shall provide the Commission with its monthly calculation of the projected over or under- calculation, along with the resulting revised COG rate for the subsequent month, not less than five (5) business days prior to the first day of the subsequent month. NHGC shall include a revised tariff page 24 - Calculation of Cost of Gas and revised rate schedules if NHGC elects to adjust the COG rate; and it is

FURTHER ORDERED, that the over or under-collection shall accrue interest at the Prime Rate as reported in the *Wall Street Journal*. The rate is to be adjusted each quarter

using the rate reported on the first business day of the month preceding the first month of the quarter; and it is

FURTHER ORDERED, that NHGC's proposed Winter FPO rate of \$0.7163 per therm for the period November 1, 2001 through April 30, 2002 is APPROVED effective for bills-rendered on or after November 1, 2001; and it is

FURTHER ORDERED, that NHGC shall file properly annotated tariff pages in compliance with this Order no later than 15 days from the issuance date of this Order, as required by N.H. Admin. Rules, Puc 1603.

By order of the Public Utilities Commission of New Hampshire this thirty-first day of October, 2001.

Thomas B. Getz
Chairman

Susan S. Geiger
Commissioner

Nancy Brockway
Commissioner

Attested by:

Claire D. DiCicco
Assistant Secretary